



CITY OF SANTA BARBARA

REDEVELOPMENT AGENCY AGENDA REPORT

AGENDA DATE: June 21, 2011

TO: Chair and Agency Boardmembers

FROM: Housing and Redevelopment Division, Community Development Department

SUBJECT: Ensemble Theatre Grant Request For Redevelopment Agency Funds

RECOMMENDATION:

That the Agency Board approve the Ensemble Theatre's grant request for \$1,000,000 in Redevelopment Agency capital funds for the purchase and installation of equipment at the Victoria Theatre.

BACKGROUND:

On June 20, 2006, the Redevelopment Agency Board approved the Redevelopment Agency budget for Fiscal Year 2007. Included within the \$4.5 million in grants made available for community grants was a proposed joint project between the Santa Barbara Trust for Historic Preservation (Trust) and the Ensemble Theatre Company (Ensemble) to improve the Alhecama Theatre and the Old City College site courtyard/plaza area immediately in front of the Alhecama Theatre. The Redevelopment Agency grant, as originally proposed, was to be administered by the Trust with \$1.5 million in grant funding divided as follows: \$1 million for the Ensemble to complete electrical, plumbing, stage, and dressing room improvements for the Alhecama Theater; and \$500,000 for the Trust to complete improvements to the Alhecama Plaza area immediately adjacent to the Theatre.

In order to secure the proposed grant agreement amount of \$1.5 million, the Agency requested that the Ensemble be under a long term lease (minimum of 10 years) with the Trust (who manages the State owned El Presidio campus) as the primary user of the Alhecama Theatre. The Trust and the Ensemble worked for many months to effectuate a long-term lease. In the end, Ensemble decided to pursue a more permanent home, including a long-term lease of the Victoria Theatre (which they now have secured). As an interim measure, and to allow much needed improvements to the Alhecama to occur, the Trust and Ensemble jointly requested that the original grant allocation of \$1.5 million be modified such that an initial amount of \$500,000 could be utilized by the Trust for Alhecama Theatre capital improvements. This request was considered and approved by the Agency Board on July 14, 2009 and those improvements have been completed by the Trust. The remaining \$1,000,000 grant, intended for use by Ensemble, remains in the Agency's account, and a grant agreement has not been approved or executed.

DISCUSSION:

The intent of the original grant was to create a vibrant, long-term home for Ensemble at the Alhecama Theatre. However, in order to achieve their long term goals, enhance their artistic capabilities, increase access, and provide a more enriching experience for the public, Ensemble decided to remain on a month-to-month lease at the Alhecama Theatre while pursuing a long term lease in a different location that more adequately fits their needs. Ensemble has been working diligently towards finding a new long-term lease and has recently entered into a 30-year lease at the Victoria Theatre.

Although the Victoria Theatre has been a functioning theatre for many years, it was originally designed for a variety of purposes and is in need of a substantial renovation in order to function as a performing arts venue. Ensemble will be renovating the physical structure to address seismic concerns and to re-configure the facility so that it can better function as a flexible performing arts venue. Improvements will include a more intimate interior configuration allowing optimal sight lines, sound proofing, acoustical treatments, complete renovation of the stage area, wing areas, a new lobby, new expanded restrooms, new expanded dressing rooms, etc. The construction cost is estimated at approximately \$5 million. To date, the Ensemble Board has donated almost \$1 million towards that cost and has raised a total of almost \$2.5 million towards the construction effort. Ensemble intends to raise the entire \$5 million needed for construction as well as an endowment fund.

The Ensemble no longer requires the Agency's \$1 million for the construction component as originally intended. Rather, Ensemble would like to use the proposed \$1 million in Agency Grant funds to make various equipment upgrades to the Victoria Theatre as follows:

Capital Equipment	Cost
Seating	\$102,200
Stage Draperies	\$75,000
Stage Rigging Equipment	\$362,000
Audio-Visual Equipment	\$190,600
Stage Lighting Fixtures and Equipment	\$148,200
Theatrical And Architectural Dimming and Controls	\$122,000
TOTAL	\$1,000,000

If approved, the Agency funds will not be disbursed until the Victoria Theatre construction has been deemed to be "Substantially Complete" by the City of Santa Barbara's Building Official. This provides the Agency Board with the added security that the project is near completion and adequate funds have been raised to complete the entire renovation project. As part of the proposed grant agreement Agency staff will require, among other standard grant requirements, the following:

- The Agency grant agreement with the Ensemble Theater will require the payment of prevailing wages unless the Ensemble can obtain a written determination issued by the Department of Industrial Relations finding that the use of Agency funds, as proposed, does not trigger the payment of prevailing wages.
- No disbursements under the agreement shall be made until the renovation of the Victoria Theatre is deemed substantially complete by the City of Santa Barbara's Building Official.
- The Agency will be granted a security interest in Ensemble's lease.
- The Agency will be granted a recorded Uniform Commercial Code security interest in Ensemble's equipment funded by the proposed grant.
- The Ensemble will provide proof of the appropriate insurance in accordance with City of Santa Barbara standards.
- That the Victoria Theatre serve as a community arts facility by regularly offering the Theatre to non-profit organizations at favorable rates which allow for the widest variety of non-profits to utilize the facility.

BUDGET/FINANCIAL INFORMATION:

Currently there is \$1 million in RDA funds appropriated for the Ensemble Theatre. These funds have been earmarked for the Ensemble since the Agency Board approved the Agency budget for Fiscal Year 2007 on June 20, 2006.

ATTACHMENT: Request Letter from Ensemble dated April 6, 2011

PREPARED BY: Brian J. Bosse, Housing and Redevelopment Manager

SUBMITTED BY: Paul Casey, Assistant City Administrator

APPROVED BY: City Administrator's Office

April 6, 2011

Jim Armstrong, Agency Executive Director
Santa Barbara Redevelopment Agency
City of Santa Barbara
735 Anacapa Street, City Hall
Santa Barbara CA 93101

Dear Mr. Armstrong:

Ensemble Theatre Company (“Ensemble”) respectfully requests that the Santa Barbara Redevelopment Agency (the “RDA”) initiate processing of a \$1,000,000 grant to help fund purchase and installation of tenant-owned equipment and furnishings that Ensemble requires and that it will utilize at the Victoria Theater.

Although we have been discussing this proposal with the RDA for many years, on July 1, 2010, we and the Trust for Historic Preservation (the “Trust”) formally proposed that \$1,000,000 of the funds that the RDA had previously allocated to the Trust for improvements to Ensemble’s current facilities be reallocated to Ensemble for use in connection with the Victoria Theater. Ensemble is now the sole tenant of the Victoria Theatre pursuant to a 30-year lease, is completing its plans and fundraising, and would like to finalize the proposed reallocation of the RDA grant.

About Ensemble Theatre Company

Founded over 30 years ago in 1979, Ensemble Theatre Company is Santa Barbara’s leading professional, resident theatre company. For more than three decades, Ensemble has been a vital creative force in Santa Barbara and a major contributor to our area’s rich and diverse cultural scene. Working with professional artists from around the country, Ensemble is Santa Barbara’s largest and longest-running theatre company—the *only* Santa Barbara professional theatre that selects, designs, casts, directs, produces and presents its own productions.

Ensemble currently offers five full-length main-stage productions each season drawing over 15,400 patrons annually. We produce thought-provoking and entertaining productions from the wide breadth of global literature and experience, many never before seen in Santa Barbara. In addition, Ensemble’s young audience program, Storybook Theater, features more than 60 performances per year for pre-school through sixth grade children. For most children, Ensemble provides their first experience with live theatre. We also provide a weekday Student Matinee Series primarily targeted for high school and middle school groups. Tickets are heavily subsidized with a number of free tickets made available to those who cannot afford the reduced ticket price. Additionally, Ensemble partners with other institutions such as the Santa Barbara Public Library, UCSB and SBCC to provide stimulating educational opportunities for young and old alike.

Ensemble is unique in our community as the only local professional theatre company that creates its own productions, specifically chosen and created for Santa Barbara audience, rather than simply borrowing or importing the work of out-of-town theatre companies. Moreover, Ensemble is also the only local professional theatre to provide original programming for young audiences.

Over recent years, under new nationally-acclaimed artistic leadership, Ensemble has attracted accomplished performing artists from around the country and further raised the artistic level of its work.

We believe that Ensemble makes a profound contribution to the performing arts of the greater Santa Barbara community.

Project Overview

We know from years of experience, from audience and community surveys, and from our extensive research and planning, that our current leased facility severely limits our ability to serve the community. The facility, with just 140 seats, is too small, so that long theatrical runs are required. The physical space is cramped and uncomfortable, audience amenities are severely constrained, and its location outside of the performing arts district is a significant constraint. The physical limitations of the facility are also artistically limiting.

In order to enhance our artistic capabilities, increase access and visibility, and provide a more enriching and comfortable experience for larger audiences, Ensemble is relocating to the Victoria Theater, an existing 300-seat theatre in the thriving downtown arts district, just half a block from the Arlington and Granada Theatres.

Ensemble has entered into a 30-year lease for the Victoria Theater with the Victoria Community House Building Council, the group formally appointed by the building's three owners to make all decisions about the property. That lease is final, and all legal issues completely and conclusively resolved. Ensemble is now the lessee of the Victoria Theater and will be for at least the next 30 years.

Although the Victoria Theater has been a functioning theatre for decades, it was originally designed for very different purposes, and has not ever had a complete renovation to optimize its ability to function as a performing arts venue. Ensemble will be renovating the physical structure to address seismic concerns and to configure the facility so that it can better function as a flexible performing arts venue with much improved audience amenities and access, a more intimate interior configuration allowing optimal sight lines for patrons, new soundproofing and acoustical treatments, and functional stage house and wing areas. These are all "landlord" shell improvements in the sense that they are the type of improvements a landlord typically makes before leasing, and that are an integral part of the building itself that remain with the building after termination of a tenancy.

After all of these "landlord" shell improvements have been completed and fully paid for, Ensemble will purchase and install its own tenant-owned equipment and furnishings, installing comfortable, intimate seating, advanced lighting, projection, and sound equipment, sophisticated rigging and line sets. These equipment and furnishings will belong to Ensemble, and are not part of the building itself.

With the installation of Ensemble's equipment and furnishings, the New Vic will be a warm, intimate, modern, flexible, 300-seat performing arts venue right in the heart of Santa Barbara's performing arts district. Not only will the Victoria Theater be a superb new home for Ensemble's five main-stage productions and youth programs each year, the refurbished theatre will serve crucial sectors of the entire community. As the only 300-seat theatre in downtown, it will be an exceptional venue for lectures, dance, ballet, chamber music, film and other performing arts.

After an extensive search, we have retained PMSM as our architects and we are currently in the process of finalizing the design. We selected PMSM because of its extensive work with other successful arts projects in Santa Barbara and its focus on projects that serve the community. In the near future we will be applying for the necessary preliminary approvals, will be completing construction drawings and requesting final permits, and continuing our initial fundraising necessary in order to commence construction. Our goal is to break ground within a year and to celebrate the Grand Opening of the New Vic in late 2012 or early 2013.

Long ago the City of Santa Barbara identified the critical need for a theatre of this size in the performing arts district, and it identified Ensemble as the most likely operator of such a facility. Ensemble's relocation to the Victoria will at last complete the City's long-range vision for its performing arts district, will add to the economic vitality of the downtown, will contribute significantly to the cultural richness of Santa Barbara, and will address the core goals of the RDA. As a unique, beautifully designed and modernized theatre, the Victoria will be a hub of cultural activity and attract patrons from greater Santa Barbara as well as outside the area. Before and after each performance, patrons will frequent the numerous restaurants and retail establishments that surround the theater.

We want to emphasize that the Board of Ensemble is undertaking this project for the twin goals of providing a home for its own work and to create a theatre that will serve the broader performing arts community. We have a strong commitment to other cultural arts in our community. The flexibility afforded by a larger, more centrally, better equipped facility, will allow us to make the theater available to other performing arts organizations for almost half the days of the year. In our planning we have met with numerous arts organizations and are designing the improvements so that the theater will flexibly serve the needs of a rich variety of performing arts uses. There is already great interest in the facility. Ensemble has been in discussions with UCSB's theatre department to provide them a venue for one student production per year, facilitating an important town-gown interrelationship. Ensemble has carefully analyzed the anticipated operations of the New Vic and will be able to offer the theater facility to nonprofit organizations at extremely favorable cost, allowing nonprofits of any size to utilize the theater.¹ Ensemble, as operator of the New Vic will assume full responsibility for leasing and managing the New Vic for use by other organizations throughout the year, with coordination by Ensemble's facilities manager and with the oversight of a volunteer board committee.

¹ Ensemble's current business plan analysis—which is subject to change as we refine our plans and timetable—projects that we will initially be able to make the facility available for as little as \$700/day. Although this figure may well change as the project progresses, we do not anticipate a significant increase.

Much study and analysis has gone into this project and we have prepared a detailed business plan that demonstrates that Ensemble can be very successful at this location. We are confident that completion of this project will position Ensemble as one of the major regional theatre companies between Los Angeles and San Francisco. Ensemble will become a destination theatre, drawing further regional and national attention to Santa Barbara. And Santa Barbara will finally have a modern, intimate, perfectly-sized 300-seat theatre to serve the broader performing arts community.

Use of Redevelopment Agency Funding for this Project

Many years ago the RDA set aside \$1,500,000 as an anticipated grant to the Trust for the Trust to use to make improvements for the benefit of Ensemble to Ensemble's current facility, the Alhecama Theater. The RDA approved expenditure of a portion of that grant for that purpose. It is our understanding that at least \$1,000,000 of the original grant remains. In light of Ensemble's relocation to the Victoria Theater, we are requesting that the remaining portion of those funds be reallocated to Ensemble for the uses and in accordance with the operating covenant described below.

As explained above, although the Victoria Theater has been a functioning theatre for decades, Ensemble will be undertaking significant "landlord" shell renovations that will better allow it to serve as a performing arts facility for the next 30 years. Ensemble will raise all the funds for that work from its own capital campaign and will not request or require any RDA or governmental funds for that work.

At the conclusion of the "landlord" shell renovations, the facility will be ready to be re-equipped with tenant improvements necessary to allow it to function as a modern, well-equipped performing arts facility. The equipment and furnishings, which will be owned by Ensemble, will include comfortable, intimate seating, advanced lighting, projection, and sound equipment, sophisticated rigging and set lines.

We will provide you updated, detailed cost estimates for the purchase and installation of the equipment and furnishings, but project that the cost will be in excess of \$1,000,000. We request that the RDA fund the purchase and installation of the tenant-owned equipment and furnishings.

We propose that the RDA enter into a Grant Agreement with Ensemble that will include the requirement that Ensemble enter into a recorded operating covenant that includes at least the following elements:

1. The requirement that the RDA funds will be utilized only for acquisition and installation of tenant-owned equipment and furnishings;
2. The requirement that Ensemble make the New Vic available for rental by other performing arts organizations² at times when the facility is not being used by Ensemble itself at competitive rates;

² To avoid audience confusion and to avoid the problems that would be created for Ensemble by hosting theatrical productions by organizations whose artistic quality Ensemble

3. The requirement that the RDA be granted a security interest in Ensemble's lease;³
4. The requirement that the RDA be granted a recorded security interest in Ensemble's equipment and furnishings funded by the RDA grant;
5. The requirement that no RDA funds will be disbursed until all the "landlord" shell improvements have been substantially completed and all costs associated therewith have been fully paid; and
6. The requirement that Ensemble demonstrate to the RDA's reasonable satisfaction that it will have the requisite funds to complete the purchase and acquisition of its equipment and furnishings (to the extent not fully funded by the RDA grant), and that it will have adequate operating reserves to commence and continue economically sound operation of the New Vic.

We expect the Grant Agreement to require that Ensemble pay prevailing wage with respect to all labor required for the installation of the equipment and furnishings that are the object of the requested grant. Based on our analysis of the law applicable to the proposed Grant, we believe that payment of prevailing wage in connection with the grant funds for equipment and furnishings and the proposed operating covenant will satisfy all applicable requirements for work on the theater.

We understand that the RDA will want to ensure that Ensemble fully complies with all wage requirements pertaining to the earlier work on the theatre if, in fact, the RDA grant affects that work. We would accept an additional condition to the Grant Agreement that prior to any grant disbursement Ensemble obtain an official ruling from the California Department of Industrial Relations regarding any wage requirements arising from the requested grant, and that Ensemble be required to fully comply with any such requirements.

Project Status

We are in the final stages of value engineering to ensure that the project's costs remain within budget, and are finalizing the renovation designs. At the same time we are well underway on the "quiet phase" of a capital campaign that will establish an endowment, build significant working reserves, and provide interim support for Ensemble productions pending full funding of the endowment. Ensemble's entire business plan, which includes the endowment component, is designed to help ensure that Ensemble will be successful at the New Vic, that it will still be able to provide tickets that remain affordable, that we can continue to support youth education and outreach programs, and that we will be able to

does not control, Ensemble does not anticipate, in the short term, providing the facility to competing theatrical companies.

³ A conditional Assignment of Ensemble's leasehold interest or a conditional option to assume Ensemble's leasehold position, reflected in the chain of title by a recorded notice of security interest.

provide the New Vic at affordable rates to a rich variety of other performing arts organizations throughout the year.

It is very important to emphasize that we will not commence any renovations until we have secured approximately 70% of the entire non-endowment portion of the capital campaign—an amount that will assure us of the ability to complete the project and carry through to opening of the New Vic. In addition, we emphasize that we will not be requesting disbursement of the requested RDA grant for equipment and furnishings until the “landlord” shell improvements have been completed and fully paid. RDA funds will only be expended for the final equipment and furnishings acquisition and installation.

We have already made great progress on our capital campaign. We are proud that 100% of our board and senior staff have personally committed almost \$1,000,000 to the campaign. In total we have already raised just under \$2,500,000 from only 25 lead gifts and pledges, and a number of additional significant gifts are currently in process. This fall we plan to launch the community-wide phase of the campaign. The campaign is expected to continue through 2012.

RDA Grant Agreement

It would be extremely helpful and important to our project if we could enter into a contract with the Redevelopment Agency for the requested grant at this time, although actual disbursement will of course only occur on a reimbursement basis, and only after receipt of the Department of Industrial Relations ruling discussed above. A grant from the Redevelopment Agency will not only provide assurance of our ability to purchase and install the new equipment that will be essential, but will also inspire the entire community.

Ensemble Theatre Company is grateful for the opportunity to submit this grant request to the RDA. We look forward to meeting with you soon so we can provide you with the additional information you require to process our proposal. We look forward to presenting our request to the Redevelopment Agency in support of this important community project.

Please feel free to call with any questions you may have.

Sincerely,



Dwight Coffin,
Board President



Jonathan Fox,
Executive Artistic Director



Derek A. Westen,
Campaign Chair

cc: Brian Bosse
Sarah Knecht, Esq., Deputy City Attorney
Ensemble Board of Directors
Ensemble Campaign Cabinet